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OGI International Financial Situation Report #16
ALA/SAD/R [redacted]

20 May 1983

COLOMBIA

Colombia faces a record $2 billion current account deficit this year and is adopting corrective measures to avoid a debt financing crisis. Embassy reporting shows that to improve the trade accounts the Betancur administration recently hiked tariffs, accelerated peso depreciation, and increased export subsidies. To halt capital flight, Bogota has also halved to $5,000 the annual foreign travel allowance, and declared illegal private transfers to bank accounts abroad. These measures, however, are unlikely to be effective this year. Although import growth may be checked, export earnings will improve only modestly in the face of declines in coffee, sugar, bananas, and cotton sales and the falloff of non-traditional exports to the Venezuelan and Ecuadorean markets. Moreover, a 45 percent drop in interest earnings, a 27 percent contraction in tourism receipts and remittances from Colombians living abroad, and a 10 percent increase in interest payments will double Colombia's services deficit to $1.3 billion this year. [redacted] 25X1

Bankers will probably be unwilling to substantially finance Colombia's 1983 payments deficit. [redacted] 25X1
[redacted] Bogota has already encountered 25X1

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difficulties in raising an $80 million balance-of-payments loan because creditors were reluctant to increase their exposure in the face of unattractive lending terms. Banco Comercial Antioqueno--a Colombian commercial bank--had to underwrite $12 million to complete the syndication. To finance the payments deficit, however, Bogota will have to pay more for credit later in the year. If Colombia is unable to reattract new international lending, it could soon encounter debt servicing problems. Reserves have fallen nearly $750 million during the first quarter of 1983, exceeding the loss for 1982 as a whole. If this fast rate of depletion continues, Colombia's $3 billion cushion of liquid reserves will be halved by yearend. [redacted]

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VENEZUELA

Caracas and bankers are at loggerheads over the refinancing agreement, and we are now growing concerned that Venezuela can successfully refinance its maturing $13 billion in debt before the end of this year. Venezuelan leaders have rejected the IMF team's tough recommendations thus far as impossible to implement in an election year. Bankers, however, are insisting on a formal IMF agreement prior to rescheduling Venezuela's debt. This stalemate will preclude any refinancing package before July, when the current suspension on public-sector principal payments is due to expire. At that point, Caracas will likely seek to extend that postponement by promising to begin talks with the Fund. According to press reports, Finance Minister Sosa has indicated that talks with the IMF would not get under way until sometime during the third quarter. Concluding an austerity agreement with the Fund, however, will likely be a long and arduous process. With the elections on the horizon, Caracas will attempt to negotiate a softening of the IMF package and a delay in its implementation. 25X1

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BOLIVIA

Embassy reports that, promising to reach agreement with the IMF by October, Finance Minister Machicado has renegotiated Bolivia debt to its Bank-of-America led consortium of 128 creditor banks during his recent visit to New York. The terms of the renegotiation require La Paz to pay $85 million in interest in five monthly installments beginning in May. In turn, bankers will grant two years grace on repayment of $440 million in principal debt servicing arrears and four years grace on $250 million in principal maturing between now and 1985. This rescheduling will lessen immediate balance of payments constraints allowing Bolivia to meet other financing obligations. 25X1

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